

TOWNSHIP OF MARENGO
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Marengo	County Calhoun
Fiscal Year End March 31, 2008	Opinion Date May 19, 2008	Date Audit Report Submitted to State May 23, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SM 2 Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 	Printed Name Mark J. Campbell		License Number 1101007803

TOWNSHIP OF MARENGO
Calhoun County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 19, 2008

To the Township Board
Township of Marengo
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Marengo, Calhoun County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Marengo's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Marengo, Calhoun County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF MARENGO
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Marengo covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$931,191.08 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$300,162.02 from governmental activities.

Taxable value for 2005 was \$56,632,434.00, 2006 was \$59,460,114.00, and 2007 was \$62,604,265.00.

Our Township Millage Tax Rate for 2007 was 1.0000.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Current Assets	652 777	713 621
Capital Assets	<u>245 407</u>	<u>217 570</u>
Total Assets	<u>898 184</u>	<u>931 191</u>
Current Liabilities	-	-
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Assets:		
Invested in Capital		
Assets	245 407	217 570
Reserved	22 560	18 573
Unrestricted	<u>630 217</u>	<u>695 048</u>
Total Net Assets	<u>898 184</u>	<u>931 191</u>
	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Program Revenues:		
Fees and Charges for Services	51 930	44 568
General Revenues:		
Property Taxes	59 915	62 255
State Revenue Sharing	149 711	150 897
Interest	24 853	29 323
Miscellaneous	<u>32 912</u>	<u>13 119</u>
Total Revenues	<u>319 321</u>	<u>300 162</u>
Program Expenses:		
Legislative	8 052	8 059
General Government	115 988	105 573
Public Safety	118 892	130 965
Public Works	<u>17 324</u>	<u>22 558</u>
Total Expenses	<u>260 256</u>	<u>267 155</u>
Increase in Net Assets	59 065	33 007
Net Assets, April 1	<u>839 119</u>	<u>898 184</u>
Net Assets, March 31	<u>898 184</u>	<u>931 191</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Cemetery Perpetual Care Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Road improvements were made.

Our cash position in the governmental activities remains healthy. We do not carry any debts.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the Township's governmental services. The most significant was fire protection, which incurred expenses of \$88,278.84.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township invested \$2,187.90 in new capital assets.

No long-term debt activity at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except roads, and fire department maintenance.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Treasurer at 13995 – 23 Mile Road, Albion, Michigan 49224, or at 269-781-8422 or fax 269-781-9862.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	708 850 43
Taxes receivable	<u>4 770 96</u>
Total Current Assets	<u>713 621 39</u>
NON-CURRENT ASSETS:	
Capital Assets	500 475 01
Less: Accumulated Depreciation	<u>(282 905 32)</u>
Total Non-current Assets	<u>217 569 69</u>
TOTAL ASSETS	<u>931 191 08</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	217 569 69
Reserved for cemetery	18 573 10
Unrestricted	<u>695 048 29</u>
Total Net Assets	<u>931 191 08</u>
TOTAL LIABILITIES AND NET ASSETS	<u>931 191 08</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	8 058 51	-	(8 058 51)
General government	105 573 48	-	(105 573 48)
Public safety	130 964 86	41 317 31	(89 647 55)
Public works	<u>22 558 05</u>	<u>3 250 49</u>	<u>(19 307 56)</u>
Total Governmental Activities	<u>267 154 90</u>	<u>44 567 80</u>	<u>(222 587 10)</u>
General Revenues:			
Property taxes			62 255 20
State revenue sharing			150 897 33
Interest			29 323 03
Miscellaneous			<u>13 118 66</u>
Total General Revenues			<u>255 594 22</u>
Change in net assets			33 007 12
Net assets, beginning of year			<u>898 183 96</u>
Net Assets, End of Year			<u>931 191 08</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Other Funds (Cemetery Perpetual Care)</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	688 574 12	18 573 10	707 147 22
Taxes receivable	4 770 96	-	4 770 96
Due from other funds	<u>1 703 21</u>	<u>-</u>	<u>1 703 21</u>
Total Assets	<u><u>695 048 29</u></u>	<u><u>18 573 10</u></u>	<u><u>713 621 39</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved for cemetery	-	18 573 10	18 573 10
Unreserved:			
Undesignated	<u>695 048 29</u>	<u>-</u>	<u>695 048 29</u>
Total fund equity	<u><u>695 048 29</u></u>	<u><u>18 573 10</u></u>	<u><u>713 621 39</u></u>
Total Liabilities and Fund Equity	<u><u>695 048 29</u></u>	<u><u>18 573 10</u></u>	<u><u>713 621 39</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 713 621 39

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	500 475 01
Accumulated depreciation	<u>(282 905 32)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 931 191 08

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Other Funds (Cemetery Perpetual Care)</u>	<u>Total</u>
Revenues:			
Property taxes	62 255 20	-	62 255 20
Licenses and permits	16 327 31	-	16 327 31
State revenue sharing	150 897 33	-	150 897 33
Charges for services	24 990 00	-	24 990 00
Interest	28 309 35	1 013 68	29 323 03
Special assessments	3 250 49	-	3 250 49
Miscellaneous	13 118 66	-	13 118 66
Total revenues	<u>299 148 34</u>	<u>1 013 68</u>	<u>300 162 02</u>
Expenditures:			
Legislative:			
Township Board	8 058 51	-	8 058 51
General government:			
Supervisor	10 245 00	-	10 245 00
Elections	2 118 05	-	2 118 05
Assessor	15 744 15	-	15 744 15
Audit and attorney	22 430 07	-	22 430 07
Clerk	17 496 35	-	17 496 35
Board of Review	1 002 50	-	1 002 50
Treasurer	15 194 47	-	15 194 47
Cemetery	14 320 50	5 000 00	19 320 50
Public safety:			
Fire protection	88 278 84	-	88 278 84
Protective inspection	9 814 00	-	9 814 00
Planning and zoning	4 868 97	-	4 868 97
Public works:			
Drains	518 33	-	518 33
Highways and streets	18 392 00	-	18 392 00
Street lights	3 647 72	-	3 647 72
Capital outlay	2 187 90	-	2 187 90
Total expenditures	<u>234 317 36</u>	<u>5 000 00</u>	<u>239 317 36</u>
Excess of revenues over expenditures	64 830 98	(3 986 32)	60 844 66
Fund balances, April 1	<u>630 217 31</u>	<u>22 559 42</u>	<u>652 776 73</u>
Fund Balances, March 31	<u><u>695 048 29</u></u>	<u><u>18 573 10</u></u>	<u><u>713 621 39</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 60 844 66

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(30 025 44)
Capital Outlay	<u>2 187 90</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 33 007 12

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Marengo, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Marengo. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for amounts received for maintenance of the cemetery.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.0000 mills, and the taxable value was \$62,604,265.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25 years
Furniture and equipment	3-15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>709 924 29</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	299 628 63
Uninsured and Uncollateralized	<u>421 366 71</u>
Total Deposits	<u>720 995 34</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	24 000 00	-	-	24 000 00
Buildings	52 500 00	-	-	52 500 00
Equipment	421 787 11	2 187 90	-	423 975 01
Total	498 287 11	2 187 90	-	500 475 01
Accumulated Depreciation	(252 879 88)	(30 025 44)	-	(282 905 32)
Net Capital Assets	<u>245 407 23</u>	<u>(27 837 54)</u>	<u>-</u>	<u>217 569 69</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2008, the Township had building permit revenues of \$8,993.80 and building permit expenses of \$9,814.00.

Note 9 – Budget Variances

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in the activities as follows:

	Total Budget	Total Expenditures	Excess Expenditures
<u>General Fund Activity:</u>			
Township Board	6 930 00	8 058 51	1 128 51
Assessor	15 500 00	15 744 15	244 15
Board of Review	950 00	1 002 50	52 50
Street lights	3 200 00	3 647 72	447 72

TOWNSHIP OF MARENGO
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	50 000 00	50 000 00	62 255 20	12 255 20
Licenses and permits	13 500 00	13 500 00	16 327 31	2 827 31
State revenue sharing	149 300 00	149 300 00	150 897 33	1 597 33
Charges for services:				
Fire protection	24 990 00	24 990 00	24 990 00	-
Interest	18 000 00	18 000 00	28 309 35	10 309 35
Special assessments	3 250 00	3 250 00	3 250 49	49
Miscellaneous	12 765 76	12 765 76	13 118 66	352 90
Total revenues	<u>271 805 76</u>	<u>271 805 76</u>	<u>299 148 34</u>	<u>27 342 58</u>
Expenditures:				
Legislative:				
Township Board	6 930 00	6 930 00	8 058 51	1 128 51
General government:				
Supervisor	10 500 00	10 500 00	10 245 00	(255 00)
Elections	2 400 00	2 400 00	2 118 05	(281 95)
Assessor	15 500 00	15 500 00	15 744 15	244 15
Audit and attorney	32 600 00	27 600 00	22 430 07	(5 169 93)
Clerk	18 530 00	18 530 00	17 496 35	(1 033 65)
Board of Review	950 00	950 00	1 002 50	52 50
Treasurer	15 720 00	15 720 00	15 194 47	(525 53)
Cemetery	13 000 00	14 325 00	14 320 50	(4 50)
Public safety:				
Fire protection	104 275 00	108 275 00	88 278 84	(19 996 16)
Protective inspection	10 000 00	11 000 00	9 814 00	(1 186 00)
Planning and zoning	7 500 00	7 500 00	4 868 97	(2 631 03)
Public works:				
Drains	2 000 00	675 00	518 33	(156 67)
Highways and streets	20 000 00	20 000 00	18 392 00	(1 608 00)
Street lights	3 200 00	3 200 00	3 647 72	447 72
Capital outlay	5 000 00	5 000 00	2 187 90	(2 812 10)
Total expenditures	<u>268 105 00</u>	<u>268 105 00</u>	<u>234 317 36</u>	<u>(33 787 64)</u>
Excess (deficiency) of revenues over expenditures	3 700 76	3 700 76	64 830 98	61 130 22
Fund balance, April 1	-	-	630 217 31	630 217 31
Fund Balance, March 31	<u>3 700 76</u>	<u>3 700 76</u>	<u>695 048 29</u>	<u>691 347 53</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Salaries	2 850 00
Memberships and dues	1 175 46
Supplies	396 38
Payroll taxes	3 356 67
Miscellaneous	280 00
	<u>8 058 51</u>
Supervisor:	
Salary	10 000 00
Miscellaneous	245 00
	<u>10 245 00</u>
Elections:	
Wages	1 244 00
Supplies	861 89
Printing and publishing	12 16
	<u>2 118 05</u>
Assessor:	
Contracted services	15 000 00
Miscellaneous	744 15
	<u>15 744 15</u>
Audit and attorney:	
Professional services	22 430 07
	<u>22 430 07</u>
Clerk:	
Salary	11 050 00
Salary – Deputy Clerk	2 480 00
Supplies	1 712 61
Telephone	1 643 84
Printing and publishing	609 90
	<u>17 496 35</u>
Board of Review:	
Per diem	862 50
Miscellaneous	140 00
	<u>1 002 50</u>
Treasurer:	
Salary	10 000 00
Salary – Deputy Treasurer	1 620 00
Supplies	206 99
Tax roll preparation	2 354 22
Miscellaneous	1 013 26
	<u>15 194 47</u>
Cemetery:	
Sexton	1 000 00
Repairs and maintenance	13 320 50
	<u>14 320 50</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Fire protection:	
Salaries and wages	31 164 42
Training	10 734 37
Supplies	564 13
Gas and oil	3 150 42
Clothing	4 015 05
Insurance	25 872 12
Utilities	3 081 12
Repairs and maintenance	8 473 50
Miscellaneous	1 223 71
	<u>88 278 84</u>
Protective inspection:	
Contracted services	<u>9 814 00</u>
Planning and zoning:	
Zoning Administrator	1 800 00
Planning Commission	2 848 58
Miscellaneous	220 39
	<u>4 868 97</u>
Drains	<u>518 33</u>
Highways and streets	<u>18 392 00</u>
Street lighting:	
Utilities	<u>3 647 72</u>
Capital outlay	<u>2 187 90</u>
Total Expenditures	<u><u>234 317 36</u></u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>5 213 42</u>	<u>2 083 139 98</u>	<u>2 085 576 33</u>	<u>2 777 07</u>
<u>Liabilities</u>				
Due to other funds	5 213 42	61 494 85	65 005 06	1 703 21
Due to other units	<u>-</u>	<u>2 021 645 13</u>	<u>2 020 571 27</u>	<u>1 073 86</u>
Total Liabilities	<u>5 213 42</u>	<u>2 083 139 98</u>	<u>2 085 576 33</u>	<u>2 777 07</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash on hand and in bank – beginning of year	<u>5 213 42</u>
Cash receipts:	
Property taxes	2 082 740 98
Trailer park fees	<u>399 00</u>
Total cash receipts	<u>2 083 139 98</u>
Total beginning balance and cash receipts	<u>2 088 353 40</u>
Cash disbursements:	
Calhoun County	732 249 01
Calhoun County Intermediate School District	359 979 08
Marshall Public Schools	207 885 29
Albion Public Schools	9 664 64
Mar-Lee Public Schools	286 597 16
Kellogg Community College	215 448 97
Marshall District Library	117 805 17
Marshall Fire and Ambulance	30 064 80
Township General Fund	65 005 06
Refunds	<u>60 877 15</u>
Total cash disbursements	<u>2 085 576 33</u>
Cash on Hand and in Bank – End of Year	<u><u>2 777 07</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 19, 2008

To the Township Board
Township of Marengo
Calhoun County, Michigan

We have audited the financial statements of the Township of Marengo for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Marengo in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Marengo
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants